

TENNESSEE GENERAL ASSEMBLY
FISCAL REVIEW COMMITTEE



FISCAL MEMORANDUM

SB 705 – HB 1289

March 28, 2017

SUMMARY OF ORIGINAL BILL: Authorizes the Avenue Diner in Davidson County to sell or give away alcoholic beverages, malt beverages, and wine all hours of the day except between 3:00 a.m. and 4:00 a.m.

FISCAL IMPACT OF ORIGINAL BILL:

Increase State Revenue – \$1,700

Increase Local Revenue – \$1,200

SUMMARY OF AMENDMENT (006376): Adds language to the original bill to authorize a restaurant in Pennington Bend in Davidson County to sell or give away alcoholic beverages, malt beverages, and wine all hours of the day except between 3:00 a.m. and 4:00 a.m.

FISCAL IMPACT OF BILL WITH PROPOSED AMENDMENT:

Increase State Revenue – \$2,600

Increase Local Revenue – \$1,800

Assumptions relative to the Avenue Diner:

- Pursuant to Tenn. Code Ann. § 57-4-203, restaurants are prohibited from selling alcoholic beverages, malt beverages, and wine between the hours of 3:00 a.m. and 8:00 a.m. and between 3:00 a.m. and 12:00 noon on Sundays.
- The Avenue Diner is authorized under current law to sell alcoholic beverages as a restaurant; therefore, this legislation will not result in additional licensing revenue for the Alcoholic Beverage Commission.
- This legislation will extend the hours that sales of such beverages are authorized.
- The current state sales tax rate is 7.0 percent; the average local option sales tax rate in Davidson County is 2.25 percent; the effective rate of apportionment to local government pursuant to the state-shared allocation is estimated to be 3.617 percent.

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- Pursuant to Tenn. Code Ann. § 57-4-306(a), 50.0 percent of the 15.0 percent LBD tax is allocated to the state General Fund and 50.0 percent is distributed to the local government.
- Based on the interquartile average of 2014 LBD tax returns and assuming reasonable growth rates in LBD tax collections, the average taxable base per establishment is estimated to be approximately \$120,000 per year.
- Authorizing sales during additional hours is estimated to increase sales by 10 percent or \$12,000 per year.
- The recurring increase in state revenue to the General Fund is estimated to be \$1,710 $[(\$12,000 \times 7.0\%) - (\$12,000 \times 7.0\% \times 3.617\%) + (\$12,000 \times 15.0\% \times 50.0\%)]$.
- The recurring increase in local revenue is estimated to be \$1,200 $[(\$12,000 \times 2.25\%) + (\$12,000 \times 7.0\% \times 3.617\%) + (\$12,000 \times 15.0\% \times 50.0\%)]$.
- Any revenue collected from any state or local taxes imposed on manufacturers or wholesalers is estimated to be not significant.

Assumptions relative to the Pennington Bend Restaurant:

- Pursuant to Tenn. Code Ann. § 57-4-203, restaurants are prohibited from selling alcoholic beverages, malt beverages, and wine between the hours of 3:00 a.m. and 8:00 a.m. and between 3:00 a.m. and 12:00 noon on Sundays.
- This restaurant is authorized under current law to sell alcoholic beverages as a restaurant; therefore, this legislation will not result in additional licensing revenue for the Alcoholic Beverage Commission.
- This legislation will extend the hours that sales of such beverages are authorized.
- The current state sales tax rate is 7.0 percent; the average local option sales tax rate in Davidson County is 2.25 percent; the effective rate of apportionment to local government pursuant to the state-shared allocation is estimated to be 3.617 percent.
- Pursuant to Tenn. Code Ann. § 57-4-306(a), 50.0 percent of the 15.0 percent LBD tax is allocated to the state General Fund and 50.0 percent is distributed to the local government.
- Based on the interquartile average of 2014 LBD tax returns and assuming reasonable growth rates in LBD tax collections, the average taxable base per establishment is estimated to be approximately \$120,000 per year.
- Given the size of this particular venue, recurring sales are estimated to be 50 percent of the average taxable base, or \$60,000 $(\$120,000 \times 50\%)$ per year.
- Authorizing sales during additional hours is estimated to increase sales by 10 percent or \$6,000 per year.
- The recurring increase in state revenue to the General Fund is estimated to be \$855 $[(\$6,000 \times 7.0\%) - (\$6,000 \times 7.0\% \times 3.617\%) + (\$6,000 \times 15.0\% \times 50.0\%)]$.
- The recurring increase in local revenue is estimated to be \$600 $[(\$6,000 \times 2.25\%) + (\$6,000 \times 7.0\% \times 3.617\%) + (\$6,000 \times 15.0\% \times 50.0\%)]$.
- Any revenue collected from any state or local taxes imposed on manufacturers or wholesalers is estimated to be not significant.

Total Impact Assumptions

- The total recurring increase in state revenue to the General Fund is estimated to be \$2,565 (\$855 + \$1,710).
- The total recurring increase in local revenue is estimated to be \$1,800 (\$600 + \$1,200).

CERTIFICATION:

The information contained herein is true and correct to the best of my knowledge.

A handwritten signature in blue ink that reads "Krista M. Lee". The signature is written in a cursive, flowing style.

Krista M. Lee, Executive Director

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